



Alabama Medicaid Pharmacy Study Commission: Reform Options

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Discussion Outline



- Goals of Pharmacy Study Commission
- Previous Meeting Accomplishments
- Reform Initiatives
 - American Pharmacy Cooperative, Inc. (APCI)
 - Pharmacy Benefit Management (PBM)
 - Preferred Pharmacy Network
- Optumas Findings

Goals of Pharmacy Study Commission



- Review Medicaid's current Pharmacy delivery and reimbursement system
- Compare Alabama's program with other States' operations
- Evaluate options for reform that could maintain quality and save money
- Estimate savings and economic impact for each potential option

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Previous Meeting Accomplishments



- Current delivery and reimbursement system is not out of control
- General Fund Demand
 - Pharmacy makes up a large part of the Medicaid GF demand
- Increases in recent spending due to
 - Growth in enrollment
 - Changes in FMAP

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Previous Meeting Accomplishments



- Alabama's program compared with other States'
 - Average Unit Cost among the lowest in the country
 - \$5 Million difference for each \$0.01 change in Unit Cost

- Comparing apples to apples difficult due to
 - Utilization
 - Payment Methodology
 - Population mix
 - Existence of management
 - Program limits

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Reform Initiatives



- During the October 24, 2013 meeting, we saw presentations on three different reform initiatives
 - American Pharmacy Cooperative, Inc. (APCI)
 - Pharmacy Benefit Management (PBM)
 - Preferred Pharmacy Network

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Reform Initiatives



1. Foundation

APCI	PBM	Preferred Rx Network
<ul style="list-style-type: none"> ➤ Purchasing Cooperative ➤ Network Management Service Utilizing APCI, HID and HP 	<ul style="list-style-type: none"> ➤ Clinical Mgmt ➤ Drug Mgmt ➤ Network Contracting 	<ul style="list-style-type: none"> ➤ Network Based on Limited Access ➤ Pricing Capabilities

Reform Initiatives



2. Quality & Cost Improvements

APCI	PBM	Preferred Rx Network
<ul style="list-style-type: none"> ➤ Care Mgmt ➤ Reimbursement Mgmt (PAC) ➤ Rebate Improvements on Generics 	<ul style="list-style-type: none"> ➤ Experience (Medicaid & AL) ➤ Fraud, Waste, and Abuse ➤ Analytic Tools ➤ Ingrid. Cost and Disp. Fee Cuts 	<ul style="list-style-type: none"> ➤ Wellness programs ➤ Significant Per Script Cost Cuts (\$4/\$10 Walmart drug list) ➤ \$0.00 Copay

Reform Initiatives



3. Proposed Savings from Initiative*

APCI	PBM	Preferred Rx Network
➤ \$48M - \$60M Year One (Total)	➤ \$91M - \$152M Year One (Total)	➤ \$120M Year One (Total)
➤ \$16M - \$22M Year One (State)	➤ \$30M - \$50M Year One (State)	➤ \$40M Year One (State)
➤ Proposal Assumes Prov Tax Remains in Place	➤ Prov Tax Impact Unknown at this Time	➤ Prov Tax Impact Unknown at this Time
<i>*Before Required Adjustments</i>		

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Optumas Findings



General Comments – APCI

- Existing AL infrastructure – HID (PA) & HP (claims)
- Savings overlap will exist for implementations since 2012 (Softer mgmt savings)
- Savings estimates gross of admin cost of purchasing cooperative and network management – reduction in estimates due to APCI admin component
- Overlap may exist for services the State already pays for through HID and HP (Softer mgmt savings)
- Pricing and rebate savings (Hard reimb savings)
- Proposal assumes no loss of Provider Tax
- Projected Bottom Line State Impact*: \$5 - \$15M

*Assumes no loss of Provider Tax

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Optumas Findings



General Comments - PBM

- Various PBM business models make an apples/apples comparison difficult – Similar overall savings
- Experience and proven in all LOB as well as in AL
- Savings net of administrative expense
- Savings largely on network cost and capabilities (Hard reimb savings)
- Savings overlap with unaccounted for implemented State programs since 2011 data source will exist (Softer mgmt savings)
- Potential for loss of Provider Tax
- Projected Bottom Line State Impact*: \$11M - \$29M

*Assumes loss of Provider Tax

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Optumas Findings



General Comments - Pref Rx Network

- Proposal would shift 80%-90% of network to Walmart – Large change to Pharmacy program
- Unit cost reductions to \$4/\$10 prevalent on Walmart's drug program as well as copay reductions appear firm (Hard reimb. savings)
- Savings estimates utilize trend factors across 8 years that may vary – If experienced Rx trends are lower than estimated, savings will decrease
- Savings estimates assume Walmart is full network – Savings will decrease with coverage gaps
- Potential for loss of Provider Tax
- Projected Bottom Line State Impact*: \$19M - \$30M

*Assumes loss of Provider Tax

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Optumas Findings



General Comments – Savings Summary

- Optumas' projected bottom line State impact incorporating provider tax loss (if applicable) and removing potentially unaccounted for savings overlap

APCI	PBM	Preferred Rx Network
➤ \$5M – \$15M State Dollars	➤ \$11M – \$29M State Dollars	➤ \$19M – \$30M State Dollars

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Optumas Findings



General Comments

- Three different and innovative options
- Selection remains a policy decision upon receipt of additional information
- Provided information includes industry estimates
- To know likely savings – Would need to go through an RFP process

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Questions

